



Department of Defense
Office of the Under Secretary of Defense (Comptroller)

Achieving Integrated Financial Management Processes and Systems

Presented By:

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Director, Financial Management Domain

Office of the Under Secretary of Defense (Comptroller)

Today's Agenda

- **Introduction to the Financial Management (FM) Domain**
- **Addressing the FY04 Performance Accountability Report (PAR)**
- **The Road to Financial Management Transformation**
- **How You Will Be Involved**

Financial Management Domain

The area of BMMP responsible for the financial management aspects of the Department, including:

- **Driving standardization**
 - **Financial information structure and management**
 - **Business rules**
 - **Processes**
 - **Procedures**
 - **Systems**
- **Developing long-term solutions that complement short-term fixes**

Our Mission: *Enable the transformation and modernization of DoD's financially relevant processes and systems so that consistent, reliable, and timely business and financial information is available to support decision-making at all levels throughout the Department.*

Goals & Objectives

Goals/Objectives

Goal 1: *Provide timely, accurate, reliable, and useful financial, budgetary, and performance information for business management.*

Objective 1.1: Achieve and sustain unqualified audit opinion on consolidated DoD financial statements.

Objective 1.2: Integrate execution and performance metrics throughout the Planning, Programming, Budgeting, and Execution process.

Objective 1.3: Link resource requirements to strategic outcomes.

Objective 1.4: Provide DoD decision makers timely access to financial, budgetary and performance information.

Goal 2: *Enable improved business operations*

Objective 2.1: Utilize the Business Enterprise Architecture (BEA) to transform the Department's financial management operations from as-is to to-be.

Objective 2.2: Systematically enable efficiency and productivity improvements to Planning, Programming, Budgeting, and Execution operations.

Themes

Enabling
Departmental Effectiveness
to support
Better Decision Making

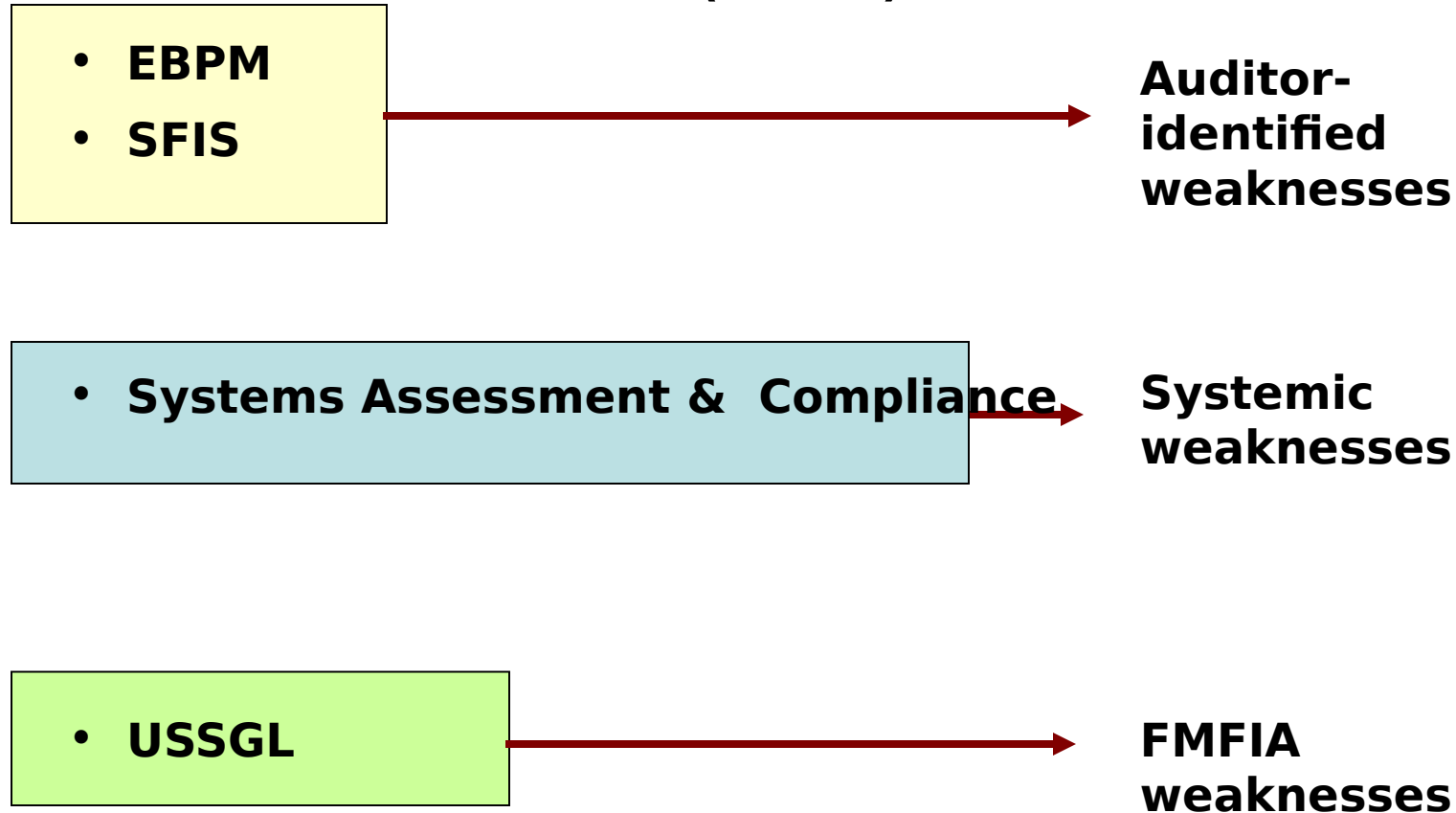
Driving
Efficiency
in the
FM Community
to provide
Better Support to the Warfighter

FM Domain's Role in Addressing the FY04 Performance Accountability Report (PAR)

...and What it Means to You

- **Evaluating the DoD financial management environment, as captured in the FY04 Performance Accountability Report (PAR)**
- **Identifying business events that trigger accounting and finance events**
- **Identifying and mapping requirements**
 - Grounded in GAAP, FASAB, OMB, the Treasury Financial Manual, JFMIP and legislative mandates
 - Consolidated in an enterprise business process model
 - *Controls are established at the source of transactions, reducing the need for after-the-fact corrections.*
- **Assessing system capabilities**

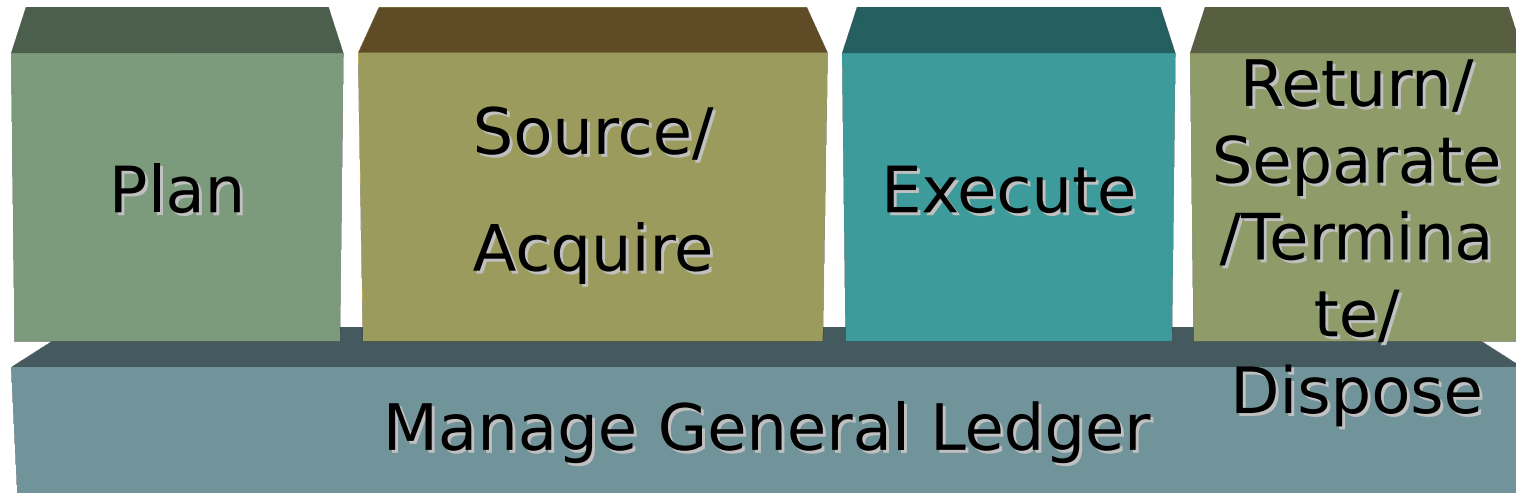
FM Domain's Role in Addressing the FY04 Performance Accountability Report (PAR)



Auditor-identified Weaknesses

- Financial Management Systems
- Fund Balance with Treasury
- Inventory
- Operating Materials and Supplies
- General Property, Plant and Equipment (PP&E)
- Government Property and Material in the Possession of Contractors
- Environmental Liabilities
- Intra-governmental Eliminations
- Accounting Entries
- Statement of Net Cost
- Statement of Financing

Enterprise Business Process Model



**The EBPM framework captures the
Department's
end-to-end business processes.**

To access the the HTML version of the EBPM on the BMMP website, go to:

http://www.dod.mil/comptroller/bmmp/products/architecture/html_framework_2-3/p0000004.htm

Addressing Auditor-identified Weaknesses

Weakness of *Intra-governmental Eliminations* Mapped to EBPM

EBPM 1.0

PLAN

EBPM 2.0

SOURCE/ ACQUIRE

EXT External

6.02 Generate Buying Contract/Order (external non-DoD buyer)
6.03 Generate Sales Contract/Order (external non-DoD seller)

OM Operations Manager

2.13 Receive Contract/Order

Program Manager

2.08 Generate/Revise Requisition
2.15 Initiate/Revise/Modify Contract/Order
2.18 Award Contract/Order
2.24 Execute Acquisition Strategy

Accountability Manager

2.06 Create Initial Asset Record

EBPM 3.0

EXECUTE

EXT External

6.04 Monitor Sale and Perform Service/Good (external non-DoD seller)
6.11 Make Payment - External

LOG Operations Manager

3.08 Perform Logistics (Deliver)

OM Operations Manager

3.25 Monitor Sales Contract/Order
3.42 Monitor Contract/Order
3.43 Closeout Contract/Order (seller)
3.44 Closeout Contract/Order (buyer)

Program Manager

3.37 Perform Acceptance Procedures
3.39 Execute Acceptance
3.45 Manage the Program

EBPM 4.0

RETURN/ SEPARATE/ TERMINATE/ DISPOSE

This chart shows improved processes (mapped to the EBPM), that address the weakness of the inability to reconcile intra-governmental transactions, which result in unsupported adjustments.

MANAGE GENERAL LEDGER

EBPM 5.0

ACC & FIN

5.07 Record Obligation and Calculate Fund Balance
5.08 Record Orders Received (funded and unfunded)
5.11 Create CIP Subsidiary Ledger
5.12 Create WIP Subsidiary Ledger

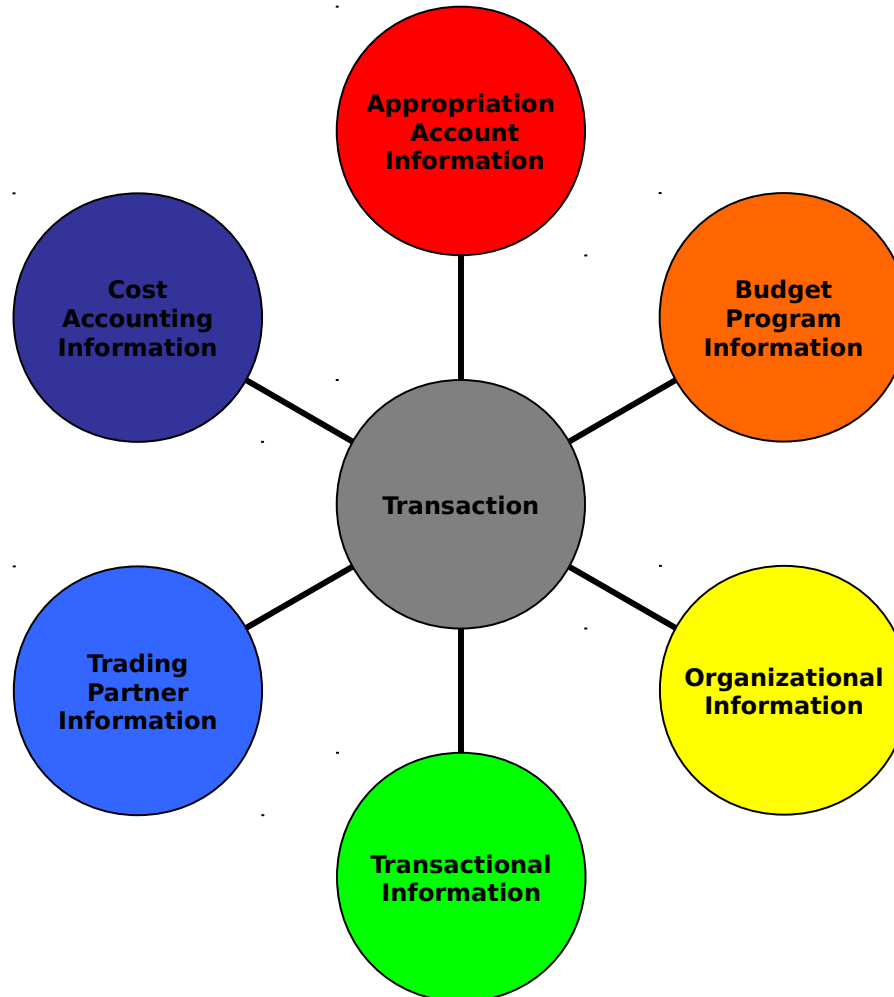
LEGEND: Numbers denote EBPM processes.

Standard Financial Information Structure (SFIS)

- SFIS is an enterprise-wide data structure that supports the Department's requirements for budget, cost/performance management, and external reporting.
- SFIS is the means for categorizing financial information along several dimensions as needed to support financial management and reporting functions. Implementation of SFIS will make the structure inherent in all business processes in which financial transactions occur.

The SFIS is a key step toward improving financial statement line item auditability.

SFIS Information Levels



Weakness of *Intra-governmental Eliminations* Mapped to EBPM

EBPM 1.0

PLAN

SFIS elements support EBPM processes, allowing funds control and traceability from the time of program budget request through execution (apportionment, allotment, allocation, commitment, obligation, and expenditure).

EBPM 2.0

SOURCE/ ACQUIRE

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EBPM 4.0

RETURN/ SEPARATE/ TERMINATE/ DISPOSE

MANAGE GENERAL LEDGER

EBPM 5.0

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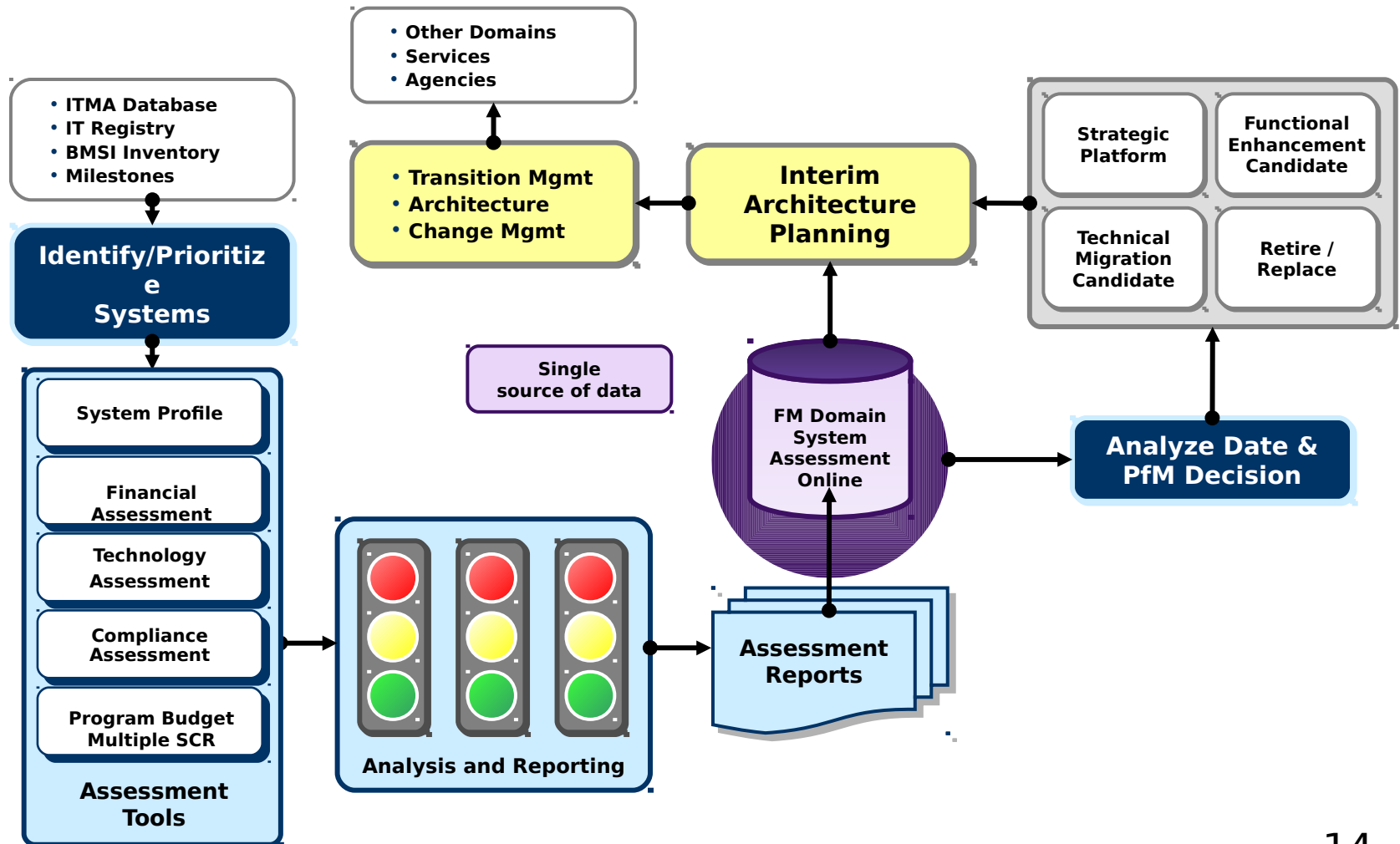
SFIS elements for eliminations, captured in the EBPM process above, satisfy partner reporting requirements defined by U.S. Treasury, OMB, and OSD(C).

LEGEND: Numbers denote EBPM processes.

Systemic Weaknesses

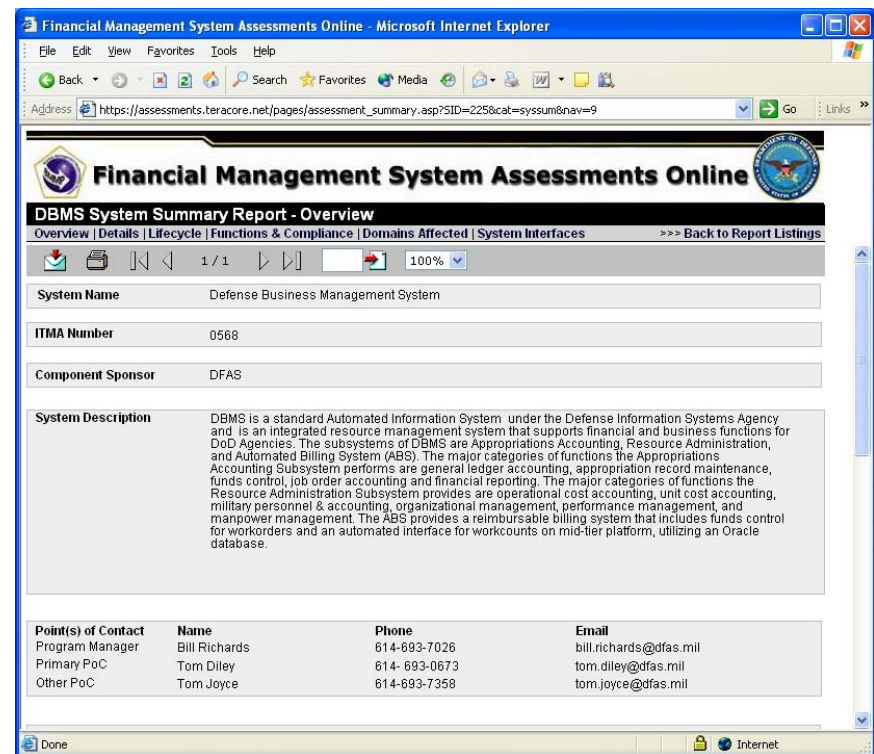
- DoD Financial Management Systems and Processes
- Environmental Liabilities
- Government Card Program Management
- Valuation of Plant, Property and Equipment on Financial Reports
- Valuation of Inventory on Financial Reports

FM System Assessment Process



FM Domain System Assessment Online

- Shows status of system assessment and findings
- Collects basic information about system and budget
- Information captured in each report is organized by tabs
 - **Details, Lifecycle, Functions & Compliance, Domains Affected, and Systems Impacted**
- Supports long-term investment review process



FM System Investment Reviews

- **FM Domain is establishing an Investment Review Board (IRB)**
- **Periodic, structured reviews of investments are a key tenet of Portfolio Management (PfM) processes**
 - Outcomes are decisions to sustain a system, terminate it, or fund improvements
- **IRB Participation**
 - Components will be requested to designate appropriate representative to serve on IRB
 - Include key stakeholders of affected systems
 - Provide adequate information to support a rational decision
 - Make decisions to ensure FM investments are consistent with BEA and support Financial Management Domain strategy

FMFIA (Self-asserted) Weaknesses

- Unsupported Entries
- Recording, Reporting, Collecting, and Reconciling Accounts Receivables
- Accounts Payables Entries
- Suspense Accounts Entries
- Fund Balance with Treasury Entries
- Telecommunications Invoices are not Pre-validated
- Managing Accounts Receivable and Payable to Acceptable Levels
- Payments Erroneously Made to Deceased Retiree
- Inadequate Receipt and Acceptance Process Entries
- Fast Payment Purchases
- Contract Pay Services are Non-compliant with Certifying Officer's Legislation
- Inadequate Data Provided to the Services for Budget Planning

USSGL Transaction Library

- The United States Standard General Ledger (USSGL)
 - Provides a uniform Chart of Accounts and technical guidance to be used in standardizing Federal agency accounting.
 - Includes generalized account postings that are useful as general illustrative guidance, but which are not decomposed to a level to link to specific business events.
- The USSGL Transaction Library
 - Is an effort by the FM Domain to establish sufficiently detailed usage of the USSGL chart of accounts and account postings for the Department.
 - Combined with the EBPM and SFIS, provides a framework for updating existing and deploying new DoD business systems using the standard USSGL chart of accounts, standard data elements, and standard posting logic and rules.

How Is USSGL Being Implemented?

- Developing library of standard DoD accounting transactions
 - Using library as baseline to institutionalize USSGL across Components
 - Defining each specific accounting transaction that results from a business event (e.g., ordering depot level repair parts)
- Eliminating systems that cannot adopt the USSGL
- Components will develop a plan with the FM Domain to implement USSGL within their specific systems

The Road to Financial Management Transformation

- Begins with capabilities
- Blends FM Domain's initiatives (long-term) and Component Financial Improvement Plans (FIPS) (near-term)
- Leverages portfolio management to ensure systems support our lines of business

Required DoD FM Core Capabilities

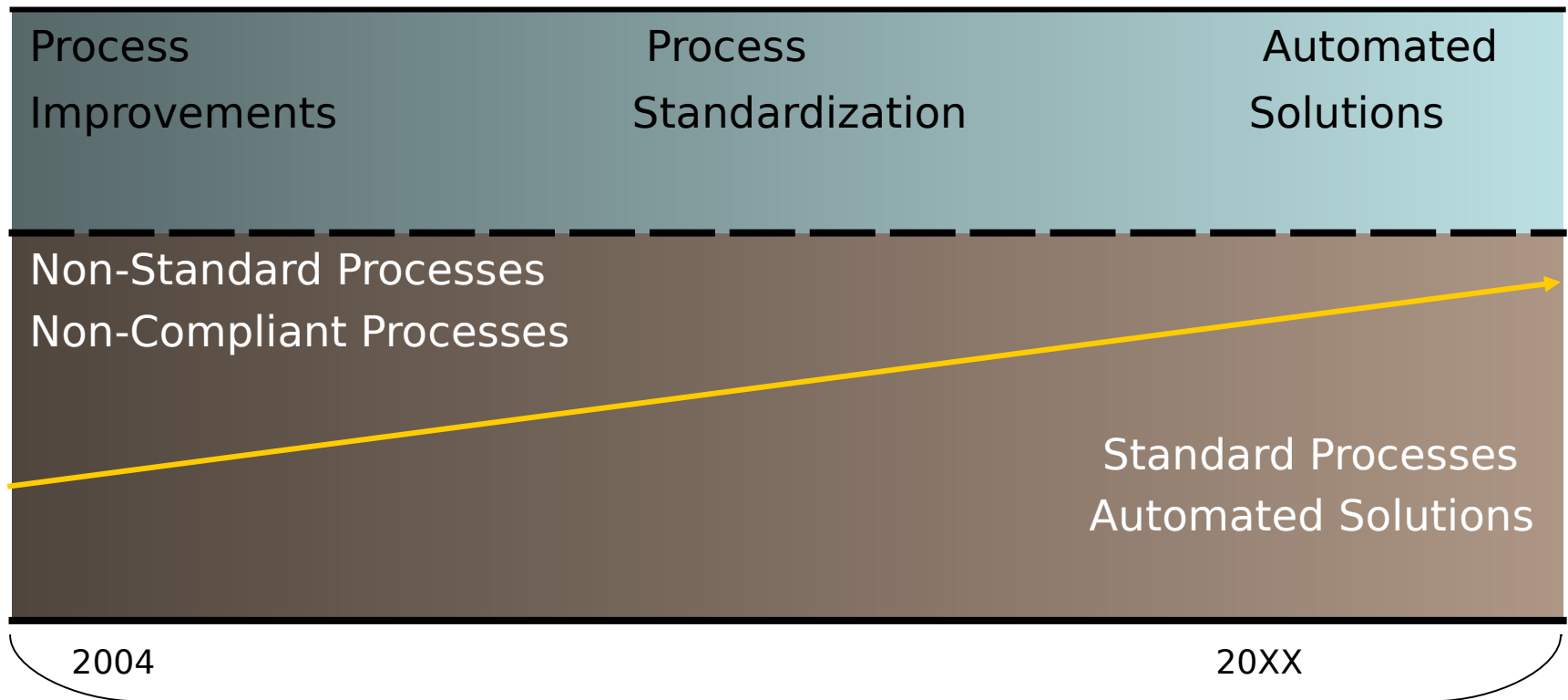
- 1. Support a collaborative planning, budgeting, forecasting, business/economic modeling and exception based re-forecasting.**
- 2. Plan, resource, and distribute appropriations based on consistent and valid metrics that reflect outcomes, outputs, activities, resources, risks, and total costs that are linked to established Department and DoD Financial FM BSC goals and objectives.**
- 3. Support a performance-based financial management process by collecting and reporting standardized metrics linked with established DoD FM BSC metrics, and through commitment accounting, cost accounting, variance analysis, and forecasting.**
- 4. Produce real-time, on-demand, and multi-dimensional financial statements, exhibits, and reports through data queries that provide effective information for management decisions.**
- 5. Accurately and efficiently record all transactions in the general ledgers and be able to provide supporting documentation for audit purposes.**
- 6. Standardize all financial management data elements, language, business rules, requirements, policies, and internal controls used across all business lines.**

Required DoD FM Core Capabilities (cont'd)

- 7. Accurately and efficiently record revenue, receivables, payables, assets, expenses, disbursements, and collections timely and in accordance with Generally Accepted Accounting Principles (GAAP).**
- 8. Accumulate and accurately record the total costs of all DoD assets with the correct cost accounting methodology and reconcile asset data with similar data maintained in non-fiscal processes and systems.**
- 9. Manage investment assets and transactions.**
- 10. Produce timely and accurate cash flow statements and efficiently reconcile Fund Balances with Treasury.**
- 11. Recruit and retain individuals with the knowledge, skills, and abilities to be accounting and budgeting generalists or possess specialized skills as needed for the mission.**
- 12. Manage human capital through training and succession planning in the fields of planning, budgeting, accounting, and finance.**
- 13. Accurately and efficiently compute and disburse payroll and retirement benefits, commercial and intergovernmental payables, and travel entitlements.**

Blending Short-term Improvements and Long-term Transformation Strategy

“90% of the benefits realized occur outside of IT and are rarely the result of new software purchases.” (AMR Research)



Business Management Modernization Program
(BMMP)

IT Portfolios Must Support FM Lines of Business

Accounting & Accounting Support - DEAMS • NAVY ERP • GFEB • SABRS

Budget Formulation & Execution - FIRST • SNAP • PBAS • CIS • PROBE II
ES • DEAMS • CCAR

Cash Accountability - DCAS

Commercial Pay Entitlements and Support - DFEB • MOCAS • DEAMS •
SAVES • FAS • NAVY ERP • SCRT

Delinquent Debt Management - DDMS

Departmental Reporting - DDRS

Disbursing & Disbursing Support - ADS • CIS • DDS

Non-DoD Capabilities - IGTE • IGTS • IPAC • MPCC • POWERTRACK

Personnel Pay Support - DIMHRS • DTS • DCPS

Reporting & Information - DEAMS • ASK-FM • NAVY ERP • AFKS • CFMS •
ODS • PMRIS • CRIS • TFMS

Strategic Planning - JFRG11 • CWPS-SEA

Telephone Billings Systems - AT&T BE • BELL SOUTH BM • CATS-NETWAR •
CVB • TBS

How You Will Be Involved

- Join your colleagues at FM Domain Quarterly Information Forums

February 28 at OSD Conference Center
Theme: *Strategic Resourcing in DoD*

Due to space limitations, please e-mail the address below to request an invitation.

Other Dates: May 19, August 16, November 17 - Pentagon Auditorium

- Access and provide input to the Terms Service <http://accfin.info/terms>, an interactive, searchable dictionary that cross-references DoD business and finance terms, including crosswalks from legacy to current preferred FM terms
- Submit questions and comments to us at FMDomain@osd.mil
- Sign up (via our email address) to receive FM Domain communications

For Those We Serve ...



For more information, please contact
us at FMDomain@osd.mil